

Current aspects of small and medium entrepreneurship development in the agro-industrial sector of Azerbaijan¹

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Abstract

The article discusses current aspects of small and medium entrepreneurship development in the agro-industrial sector of Azerbaijan. The problems of agro-industrial complex development are explained. The factors that determine the need for small and medium enterprises development in the agro-industrial complex are identified and systematized. The advanced world experience in the field of agribusiness is studied and summarized. The advantages of agribusiness development as one of the main elements of economic diversification are presented. A classification of business entities in the agro-industrial complex based on the criteria of legal status and size has been developed. The characteristics of small and medium-sized businesses have been identified. The organizational structure of small and medium-sized enterprises in the agricultural sector has been provided. The main macroeconomic indicators of small businesses in the Republic of Azerbaijan have been analyzed. The structure of the number of micro, small and medium-sized enterprises in the country by economic sectors has been prepared. The dynamics of investments in agriculture in Azerbaijan have been analyzed. Given the relevance of economic diversification, the fact that agro-industrial enterprises are one of the main components of the national economy has been scientifically substantiated. The factors hindering the competitiveness of enterprises in the processing industry of the agricultural sector of the Republic of Azerbaijan in foreign markets have been considered, and solutions to these problems have been provided. Taking into account new challenges and tasks for the revival of post-conflict territories, priority areas of activity for the development of small and medium entrepreneurship in the agro-industrial sector of Azerbaijan have been identified and proposals have been prepared.

Keywords: Azerbaijan, agricultural sector, agribusiness, small and medium enterprises, problems of agribusiness development, modern aspects of small and medium enterprises development.

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Introduction

In the context of modern global challenges, diversification of the national economy and improvement of the country's economic development model are of great importance. On the other hand, ensuring food security of the country as one of the global problems has come to the fore. In these processes, modeling of agricultural development and ensuring the overall efficiency of the agricultural sector are of exceptional importance. Ensuring comprehensive and systemic development of agribusiness among various types of activities in the agricultural sector can have a significant impact on the efficiency of this sector. The main objective of this article is to develop a conceptual approach to the formation of an organizational and economic environment that creates conditions for activating small and medium-sized businesses in the agro-industrial complex - one of the strategic sectors of the economy, and to identify the main areas for improving its efficiency.

We believe that, first of all, it is necessary to explain the socio-economic essence and main characteristics of small and medium enterprises in the country's agro-industrial complex, make generalizations about them and maximally improve the state policy in this area. In addition, it is necessary to identify ways to solve the problems that determine the development of small and medium-sized businesses in the agro-industrial complex by analyzing the general aspects of the specific activities of small and medium-sized enterprises in agriculture. In addition, in our opinion, at the current stage of development of the country's economy, it is necessary to study the problems of entrepreneurship in the agro-industrial complex, determine its impact on the formation of market relations, increasing the efficiency of the economy, and develop an adequate mechanism of measures. In the modern era, it is considered important to determine the main areas of stimulation of small and medium-sized businesses in the agro-industrial complex, carry out appropriate structural changes and improve the existing mechanisms of operation. At the same time, special attention should be paid to the problems of organizing logistics systems and innovative infrastructure in the agro-industrial complex in order to make the activities of the agro-industrial complex more efficient and profitable. To do this, it is necessary to take measures to increase the investment attractiveness of the agro-industrial complex, develop small and medium-sized businesses, and apply state support mechanisms. An important issue is the expansion of opportunities for small and medium-sized businesses in the agro-industrial complex to access markets, determining the areas for regulating production and marketing relations, implementing measures to increase their export potential, and developing effective mechanisms for financial support.

In general, in the context of global problems, over the past 30 years, the development of the agricultural sector in Azerbaijan, the adaptation of agro-industrial activities in this area to the requirements of the modern era, and the increasing role of small and medium-sized enterprises in the

agro-industrial sector have been elevated to the rank of priority areas of the state's agricultural policy.

Methods and approaches

In the new conditions, from the point of view of modern aspects of development of small and medium entrepreneurship in the agro-industrial sector of Azerbaijan, it should be noted that in order to study and solve existing problems in this area, it is necessary to conduct fundamental research, obtain scientific and practical results, and identify appropriate solutions. In this regard, in the article we have summarized a group of hypotheses:

H1. First of all, as one of the important conditions, it is accepted to define general provisions regarding the scientific and theoretical foundations of the formation of entrepreneurship in the agricultural sector and the institutional aspects of entrepreneurship development, as well as to identify the factors that determine the need for the development of small and medium entrepreneurship in the agro-industrial complex, as well as their impact on the development of the agricultural sector as a whole.

H2. It is necessary to determine the role of small and medium entrepreneurship in the development of the agro-industrial complex and increase its competitiveness.

H3. Having identified the main areas of stimulation of small and medium entrepreneurship, it is necessary to implement structural changes in the agro-industrial complex, improve management mechanisms, and take measures to increase the economic efficiency of business relations.

H4. It is necessary to analyze and objectively assess the current state of production in the agro-industrial complex, the prospects for the development of small and medium-sized businesses, as well as indicators characterizing the activities of small and medium-sized businesses.

H5. It is necessary to justify the need to form logistics systems and innovative infrastructure in agribusiness, to increase the investment attractiveness of small and medium-sized businesses.

H6. It is necessary to constantly keep in the spotlight both the urgent problems of our time, increasing the level of priority for increasing the economic efficiency of small and medium-sized businesses in the agro-industrial complex, expanding opportunities to enter markets, as well as taking measures to increase export potential, etc.

Results and materials

It should be noted that in many countries of the world, the development of the agricultural sector and the effective organization of agribusiness are areas of the economy that have always

been in the center of attention of state policy. Even in countries that have undergone deep reforms in terms of liberalism and are economically developed, subsidies and benefits are currently provided to agriculture and the agricultural sector as a whole. However, the experience of developed countries over the past 30 years shows that small businesses, regardless of the field of activity, face significant difficulties in their activities (Hajiyeva ST, 2017). The difficulties faced by small businesses are usually due to a lack of logistical, financial, informational and other important resources. In almost all sectors of the economy, small businesses face significant difficulties in a competitive environment, especially in comparison with large specialized enterprises. Although in the agribusiness area we are studying, significant innovation and technological integration have been observed in recent decades, a similar situation was typical for this sector. Dependence on the economic situation has a great impact on ensuring the sustainability of business entities in the agricultural sector (Amrakhov VT, Gasimova AZ, Gasanov AF, 2014). In addition, especially in Azerbaijan, as in many former post-Soviet republics, the insufficiently high socio-economic status of the village and lower incomes of those working in this sector are problems that directly affect the sustainability of this sector. The successful implementation in recent years of large-scale state programs implemented by our state in Azerbaijan to improve the socio-economic situation of the regions has sufficiently prevented this trend compared to previous years, but has not eliminated it completely. Of course, it is impossible to eliminate these shortcomings only at the expense of public funds. In this regard, it is necessary to strengthen the role of all areas of market infrastructure in the development of business entities (Aliyev Sh.T., 2014). We believe that in order to eliminate the financial shortcomings of agricultural entrepreneurship, it is necessary to ensure the availability of borrowed capital and increase its share in the loan portfolio of business entities. Over the past 20 years, the Azerbaijani government has created broad opportunities for financing entrepreneurs in the field of agriculture, in particular, by applying additional benefits and subsidies to some production entities depending on the purpose of the products they manufacture. In this regard, the availability of material, technical and financial resources of small businesses operating in the agricultural sector has increased significantly compared to the previous period, which has created a favorable environment for their development (Fikratzade F., Khalilov H., Huseyn RZ, 2024). However, despite these positive trends, small businesses operating in agriculture have not become sufficiently specialized, and their dependence on the economic situation has not been completely eliminated. One of the main reasons for this is that they regularly change the products they manufacture in accordance with market conditions and focus on different areas. Although, in order to improve the financial capabilities of agricultural producers in Azerbaijan and prevent loss of profits, from 1999 to the present, all subjects of agricultural production have been exempted from other taxes, with the exception of land tax (Nuriyev A.Kh., 2004).

All four of the above factors have a huge impact on the activities of business entities, regardless of their field of activity and form of ownership. The two factors mentioned here directly affect business entities, while the other two factors are indirectly felt in the activities of entrepreneurs. In addition, external environmental factors that affect business activity vary depending on the sectoral structure of the economy. In particular, the agricultural sector, chemical industry, biotechnology and telecommunications sectors, e-commerce and other similar sectors respond more quickly to changes observed in the business environment. Changes in technological processes and the level of competitive environment have a direct impact on the activities of business entities in the agricultural sector. The influence of macro-level factors on entrepreneurs operating in some sectors is relatively small. However, the agricultural sector is not one of such areas. The reason for this is that the agricultural sector is more dependent on the influence of external factors (Ibragimov I.Kh., 2016). The political and economic changes taking place at the international level in recent years have led to dramatic changes in the global food market, as well as in all types of commodity markets, which affect all entrepreneurs, regardless of their field of activity. The main goal of each country now is, first of all, to satisfy the domestic consumer market through local production and to neutralize changes in the global economy as much as possible (Guliyev EA, 2020). In this respect, entrepreneurs engaged in the production of food raw materials bear great responsibility. Strategic crops such as food wheat, sugar beet, etc. Manufacturers of products must produce more products than in previous periods and supply locally produced products to the domestic consumer market. Such radical changes in the global economic situation have a greater impact on the economies of countries dependent on imports. Currently, prices for grain, sugar beet and vegetable oils are rising sharply in the consumer market. This is due to a change in the balance of supply and demand as a result of negative events in the international economic environment during and after the COVID-19 pandemic. From this point of view, we believe that in order to expand agriculture in Azerbaijan, it is necessary to involve all usable areas in the production process and increase production targets.

It should be noted that not only the changes occurring on a global scale, but also the emergence of water shortage due to the impact of global warming on the natural and climatic conditions of Azerbaijan is currently considered one of the most dangerous problems for the agricultural sector. Along with negative trends, positive processes that can affect the development of the agricultural sector should also be noted. Thus, as a result of the successful policy of the Azerbaijani state and the liberation of territories that were under 30-year occupation, the area of land used for agricultural purposes has increased significantly. However, it will take some time to fully return these territories to the production process. At the same time, one of the important problems in the agricultural sector in recent years is that agriculturally suitable lands are not fully involved in the production process or the available resources are not used for their intended purpose. As is known, the land reforms carried out in Azerbaijan since the end of the last century gave impetus to the devel-

opment of private property. However, not all entrepreneurs who became land owners in the relevant period as a result of the privatization process took an active part in agricultural production. Unfortunately, this process continues to this day. Sometimes landowners not only do not use the land, but also use the available resources for other purposes. This factor carries a significant risk for the future in the modern era, when the food problem is global in nature (Ibragimov I.Kh., 2010). In addition, studying the capacity of the consumer market and planning production in accordance with demand are important issues in ensuring sustainable development of entrepreneurship in the agricultural sector. As is known, one of the most serious problems faced by entrepreneurs working in the agricultural sector is the creation of surplus products on the market due to the production of products without sufficient market research. Currently, most entrepreneurs in the agricultural sector do not have sufficient information about the prospects of the consumer market and do not feel the need to use consulting services in this area (Garayev I.Sh., 2015). This factor creates the basis for them to face unpleasant processes in the market at any time. We believe that the insufficient development of marketing services that would direct the activities of agricultural entities towards their development is one of the problems limiting the competitive potential of entrepreneurs. Improving the efficiency of production in the agricultural market determines which consumer groups the products are aimed at. This process allows producing products specifically targeted at a certain target group. Defining the target audience allows entrepreneurs to save on production costs, as well as focus on target groups more effectively. Small and medium-sized enterprises are a key element of the economy of developing countries and create the basis for stimulating development and innovation (Megits N., Aliyev ST, Pustovkhar S., Belialov T., Prokopenko O., 2022). For example, in the European Union, 99.8% of all enterprises are predominantly small and medium-sized enterprises, and two-thirds of the workforce is employed in these economic entities. In the European Union, small businesses account for 69% of employment growth and 66.8% of total employment. The creation of jobs and the expansion of activities related to enterprises and employment are reflected not only in the number of people employed but also in the creation of new enterprises.

Improving the efficiency of small and medium-sized enterprises in agribusiness is a multifaceted problem, the solution to which depends on a complex combination of economic, social and institutional factors. The difficult situation in agriculture in Azerbaijan, which regained its independence after the collapse of the former USSR in the early 1990s, has been resolved to a certain extent in recent years, and economic indicators in the sector have entered a relatively positive phase. It should also be emphasized that the agricultural sector and economic entities operating in this area always need protection and state support to a greater extent, regardless of the level of economic development and the nature of economic relations that have developed in other areas. Thus, the development of small entrepreneurship, which is determined by its unique features, is impossible without state support and regulation. In recent years, the stagnation observed in the development

of small and medium entrepreneurship in agriculture has been somewhat eliminated, thanks to the increased attention of the government to this problem in Azerbaijan. It should be noted that the formation and development of the processing industry, which is closely related to the agricultural sector, cannot be isolated from the influence of these factors. The development of agro-processing enterprises in the regions, depending on the level of development of the production and social infrastructure, has a positive impact on a wide range of regions (Aliyev Sh. T., Babayev F., Gafarli G., Galandarova U., Baladzhaeva T., 2023). The presence of agricultural processing enterprises in the regions has a certain impact on the specialization of producers, more efficient use of natural conditions and land resources in accordance with their intended purpose, and the characteristics of the settlement system. In modern economic conditions, the agro-industrial sector plays an important role in increasing the competitiveness of the country's economy. In addition to improving food security, the agro-industrial complex performs important functions in intensifying the export of products to foreign markets and coordinating the economic interests of business entities with the state. In addition to its positive role in the economic development of the country, the agro-industrial complex contributes to solving social issues, especially in the formation of positive dynamics in the labor market of the economically active population, increasing the level of employment. Negative manifestations in the global economic situation create the basis for further aggravation of the food problem in the near future, and therefore meeting the demand in the domestic consumer market exclusively through local production capabilities will become one of the most important strategic issues that need to be addressed (Shalbuzov N., Fikretzade F., Guseyn R., 2020). Improving the mechanism of functioning of the agro-industrial complex is characterized as one of the main criteria for increasing the competitiveness of the industry, expanding the possibilities for the effective use of the existing potential of the domestic consumer market. Currently, the main function of the agro-industrial complex in countries that have reached a high level of development is to achieve full and comprehensive satisfaction of the country's needs for food and agricultural products, thereby eliminating dependence on imports. We believe that meeting domestic demand in the domestic consumer market of each country can be achieved through a number of alternative sources. This occurs both through the expansion of production areas using extensive methods of increasing agricultural production, and by increasing the level of productivity through the use of innovative technologies (Bigliardi, B., Ferraro, G., Filippelli, S., Galati, F., 2020). The process also significantly depends on the degree of adaptation of exchange processes to market requirements. The experience of countries such as the Netherlands, Israel, Australia, where agribusiness is currently at the peak of its development, shows that the development of agribusiness in the modern era directly depends solely on the level of integration of new technologies and innovations into the industry.

World experience shows that the expansion of production in the agro-industrial complex and ensuring equal terms of trade are among the most important factors determining the growth of production and trade turnover in this sector. Achieving an optimal level in the exchange process ultimately increases the income of producers in the agro-industrial complex and intensifies their activities in an effective, large-scale reproduction mode. Increasing the income of business entities in the agricultural sector, in addition to ensuring the inflow of investments into the industry, forces production entities to concentrate more seriously on the areas of their activities. In general, satisfying the economic interests of business entities, regardless of their sphere of activity, is considered one of the main criteria for increasing their sustainability (Gasymov, A., 2015). In the modern era, when the process of globalization is becoming intensive, in order to ensure social stability and economic well-being of society, each state should pay special attention to the agro-industrial complex, accelerate the implementation of progressive economic measures and constructive projects, correctly assessing the development potential of the industry. During the period of administrative autocracy, the state, independently designing the scale of activity and production plans of economic entities, created conditions for the elimination of economic incentives, thereby creating the basis for inefficient activities of their enterprises, incompatible with the market. However, with the transition to free economic relations, the emergence of new forms of economy, the replacement of state property with private property and the entrepreneurial structures formed as a result of this process, an irreplaceable role was played in the creation of a more advanced mechanism. These processes created the basis for the use of economic regulation instruments that are more consistent with the conditions of the economic situation than administrative regulation instruments. The specifics of agribusiness necessitate the study of a group of issues: 1) The high dependence of agricultural entrepreneurs on natural and climatic conditions, and not on the main factors of production, leads to limited control by producers over the quantity and quality of products. 2) Entrepreneurs working in the agricultural sector respond quickly enough to changes in prices in the consumer market, which leads to a change in the intended purpose of their production areas and a limitation of the level of specialization. 3) Business entities operating in the agricultural sector operate within the framework of certain risks. Such risks, as a rule, include constant instability of the economic situation, natural and climatic factors, the formation of unequal conditions for the release of manufactured products to the consumer market. 4) There is always a high demand for agricultural products in the domestic consumer market. In addition, it is important to take into account that, unlike other industries, the demand for food is not cyclical. Since meeting the population's needs for food is a necessity, the development of agricultural production has always been considered important from the point of view of ensuring economic security. Research shows that the main conditions for the volume of demand for consumer products in the agricultural market are the purchasing power of consumers, the population size and the norm of physiological needs of the population for food. 5) The high cost of production in agribusiness compared to other sectors of the economy has an ex-

tremely negative effect on the development of this sector. This process is primarily associated with the peculiarities of the formation of socially necessary labor costs. In addition, the implementation of the production process mainly in the agricultural sector in unstable conditions, problems associated with transportation and logistics require higher capital investments in the industry. 6) In agribusiness, it is necessary to form an infrastructure system for the supply and sale of products. Improving the infrastructure system ultimately leads to a reduction in losses that agricultural entrepreneurs may incur in connection with their economic activities, which also increases the opportunities for increasing their income. 7) One of the main factors influencing the activities of business entities in the agro-industrial complex are high non-production costs and a large number of trade intermediaries compared to other industries. In this aspect, the development of entrepreneurs, in addition to the variety of products and raw materials produced, is affected by transportation costs, high cost price, long period of the production process, as well as the fact that market prices, as a rule, change contrary to the expectations of farm profits depending on the market situation, etc. 6) In agribusiness, it is necessary to form an infrastructure system for the supply and sale of products. Improving the infrastructure system ultimately leads to a reduction in losses that agricultural entrepreneurs may incur in connection with their economic activities, which also increases the opportunities for increasing their income. 7) One of the main factors influencing the activities of business entities in the agro-industrial complex are high non-production costs and a large number of trade intermediaries compared to other industries. In this aspect, the development of entrepreneurs, in addition to the variety of products and raw materials produced, is affected by transportation costs, high cost price, long period of the production process, as well as the fact that market prices, as a rule, change contrary to the expectations of farm profits depending on the market situation, etc. 6) In agribusiness, it is necessary to form an infrastructure system for the supply and sale of products. Improving the infrastructure system ultimately leads to a reduction in losses that agricultural entrepreneurs may incur in connection with their economic activities, which also increases the opportunities for increasing their income. 7) One of the main factors influencing the activities of business entities in the agro-industrial complex are high non-production costs and a large number of trade intermediaries compared to other industries. In this aspect, the development of entrepreneurs, in addition to the variety of products and raw materials produced, is affected by transportation costs, high cost price, long period of the production process, as well as the fact that market prices, as a rule, change contrary to the expectations of farm profits depending on the market situation, etc.

In the current economic conditions, the development of agribusiness is of particular importance as one of the main elements of diversification of the economy of the Republic of Azerbaijan. One of the important features of agribusiness from the point of view of direct development of agriculture is that it includes important functions in terms of increasing the economic efficiency of production as one of the indicators ensuring the sustainability of enterprises. Naturally, as in other

sectors of the economy, the most economical and most efficient use of production resources in agriculture, as a result of the influence of the competitive factor, testifies to the stimulating power of agribusiness. In Figure 1, we have given a classification of business entities in the agribusiness sector by legal status and size.

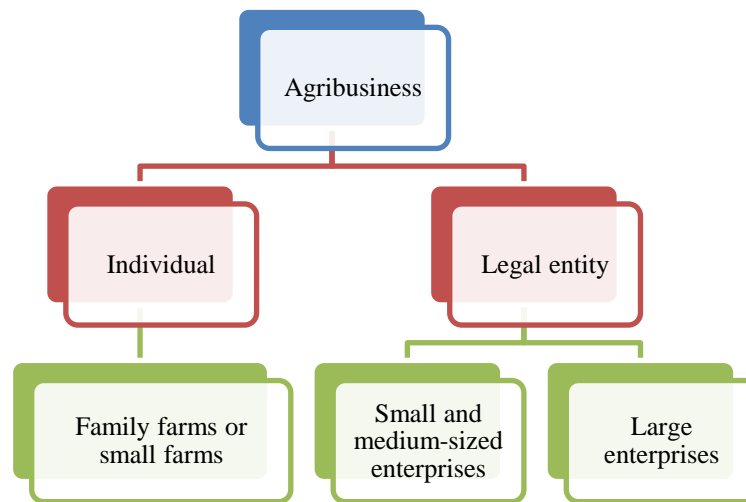


Figure 1. Classification of business entities in the agro-industrial complex by organizational and legal form and size (compiled by the author).

In our opinion, the level of use of advanced technologies by business entities operating in the conditions of free economic relations is considered as one of the main criteria for increasing production efficiency. In recent years, the use of innovative technologies in agricultural production has increased significantly in Azerbaijan compared to previous years. This factor plays an important role both in increasing the range of products and in increasing productivity. Currently, the willingness of entrepreneurs working in the agricultural sector to introduce new technologies into the production process is not high enough. One of the main reasons for this is the low level of profitability of the industry, especially the fact that existing business entities mainly belong to the category of small and medium businesses.

Figure 2 schematically presents the characteristics of small and medium-sized businesses (Krutik AB, Reshetova MV, 2011).

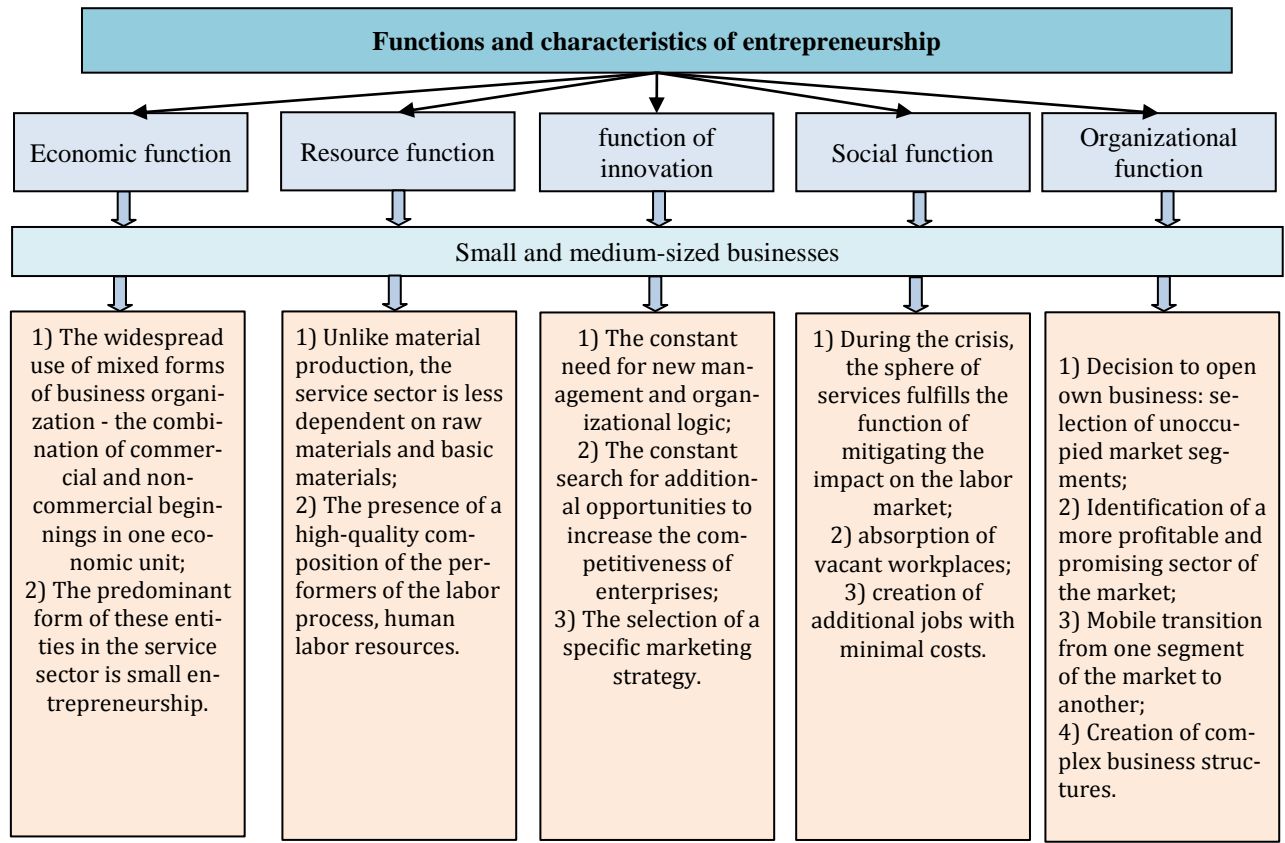


Figure 2. Characteristics of Small and Medium Enterprises. It should be noted that regardless of the field of activity, small and medium enterprises share the following common characteristics that strengthen their position in the economy: 1) the ability to produce more output with less investment; 2) the ability to make a greater contribution to employment with less investment; 3) the function of stimulating individual savings; 4) independence and ability to own; 5) initiative; 6) management functions; 7) marketing services; 8) financing functions; 9) economic fluctuations; 10) production functions; 11) compliance with technological innovations, etc. The importance of agriculture and agriculture-based industries in countries around the world is due to the fact that it is the only way for people to meet their basic needs for food. Agribusiness was originally created by the state to meet public needs. Many organizations and institutions created in this context were privatized at the end of the last century due to the transition to a market economy. The role of agricultural SMEs in national development, especially in developing countries, is constantly increasing. The National Development Strategy plays a very important role in the diversification of the economy of Azerbaijan, reflecting priority steps to create a strong agricultural sector (Ibrahimov ER, 2014). It should be noted that in developing countries there is a need to develop production relations in the agricultural sector in order to create new jobs that generate additional income and

meet the basic needs of the rural population. Agriculture provides a livelihood for a significant part of the population living in the regions. In this regard, the development of economic activity in the agro-industrial complex is becoming increasingly important every day in terms of ensuring the diversification of the country's economy. In a market economy characterized by increased competition, numerous production entities of various categories operate in the agricultural sector. Among these business entities, first of all, individual entrepreneurs, small peasant (farming) households with the status of an individual, production cooperatives, although not numerous enough, but specialized small enterprises and other entrepreneurial entities make an important contribution to meeting the ever-growing needs of society (Karaseva MV, 2016). In this regard, of particular importance is the improvement of the regulatory framework, which plays a key role in regulating the activities of business entities in the agro-industrial sector, and bringing it into line with international standards. In modern economic conditions, a number of progressive forms of private property and procedures associated with free pricing, the state's departure from the policy of centralization and balanced intervention in the consumer market, necessitate the formation of a progressive legal framework that ensures the improvement of economic mechanisms and the scope of activity.

In addition, as one of the measures that plays an important role in the development of small and medium-sized businesses in the agricultural sector, first of all, it is necessary to strengthen the role of the state in price regulation. Despite the ambiguity of active intervention in the market economy, sometimes an insufficient mechanism for self-regulation of the market in the agro-industrial complex necessitates the implementation of the necessary measures in this direction. In this regard, to determine prices for a number of types of special-purpose and strategic products in the agro-industrial complex (tobacco, cotton, tea, sugar beet, etc.), the mechanism of market self-regulation alone is not enough; The formation and implementation of a system of guaranteed prices is considered a necessary issue aimed at the economic interest and sustainability of entrepreneurs (Hajiyeva ST, 2018). It is necessary to improve the legal framework for the implementation of activities of business entities in the agro-industrial complex on the basis of a regulated mechanism using the experience of advanced countries of the world that have developed in this area. This step creates a favorable environment for increasing the interest of local and foreign investors in the agro-industrial sector and, as a result, increasing the volume of investments directed to the sector. Thus, before making an investment, each investor, regardless of the sphere of his economic activity, not only predicts the payback period of the invested funds, the amount of annual profit that he can receive, but also carefully studies how his rights will be protected at the legislative level. It should be noted that this approach is more typical for foreign investors. In other words, regulation of the economic activity of business entities in the agro-industrial complex should become a priority of the investment policy implemented by the state. It is known that among the most important conditions that determine the increase in investment attractiveness of the agricultural sector, one of the most

important factors is the elimination of development disproportions between the regions of the republic, improving the socio-economic living conditions of the population, increasing the interest of entrepreneurs in this area in the regions, ensuring the availability of sufficient infrastructure to attract foreign investors to this area. It should be noted that the availability of production and social infrastructure that meets modern standards is one of the most important conditions for foreign investors to carry out activities and live in the regions for a certain period of time. The role of the agro-industrial complex and entrepreneurs in its field of activity in improving the food supply of the population is increasing every day (Sadygov Yu.M., Rustamov FV, Isaeva LP, 2021). The agro-industrial complex covers a wide range of activities in which business entities operate in the agricultural sector, processing industrial enterprises with which mutual integration relations have been established, and there are also sales markets where produced raw materials and finished products are sold (Guseyn R., Guseinov R., Museibov A., 2020). Currently, entrepreneurs in agribusiness vary in size depending on the field of activity. Thus, if entrepreneurs producing agricultural products mainly belong to the category of small and medium businesses, then enterprises engaged in processing and selling products are mainly business entities belonging to the category of medium and large businesses (Gasymlı VA, 2014). Due to this structure, entrepreneurs primarily engaged in the production of raw materials in agriculture are the most fragile link in this area due to financial risk, low profits and insufficient provision of means of production. Problems in agriculture also affect other farm owners working in the agribusiness sector. From this point of view, the problems of small and medium entrepreneurs working in agriculture should be addressed comprehensively, and both the state and business entities of other industries that have business ties in this area should be interested in their solution.

We believe that the development of the agricultural sector is closely related to the processing industry. Currently, a number of products manufactured in the agricultural sector (cotton, grain, fruits and vegetables, sugar beets, tobacco, tea, sunflower seeds, meat, milk, etc.) are processed. Depending on the purpose, some types of products, especially industrial crops, undergo a full processing stage before becoming a final product. Agricultural products, regardless of the stages of their processing, are essentially the main raw material base for the food and light industries (Gajieva ST, 2017). Figure 3 schematically shows a possible organizational structure of small and medium-sized businesses in the agricultural sector.

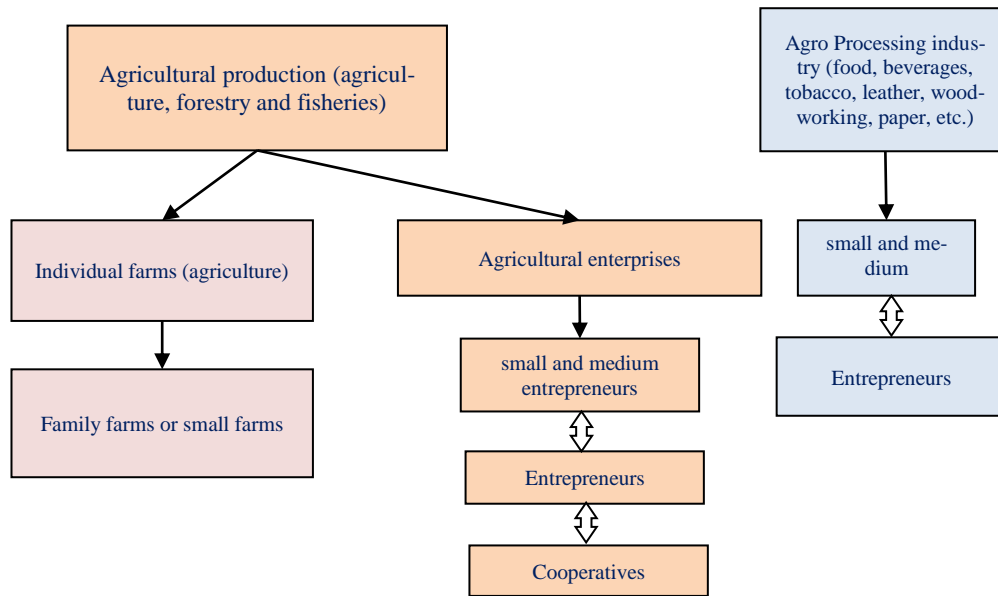


Figure 3. Possible organizational structure of small and medium-sized businesses in the agricultural sector (prepared by the author).

It should be noted that at the current stage of development of free economic relations in this sector, there is a wide potential for the development of enterprises for processing agricultural products, depending on the level of specialization of agricultural production sectors and the nature of products sold in the sector. Intensive implementation of agrarian reforms aimed at developing agriculture in Azerbaijan since the late 1990s has created broad opportunities for the privatization of state property, the development of entrepreneurial activity in the agricultural sector, the privatization of property, and more efficient use of the resource potential of the regions. The versatility of agricultural production directly depends on the correct placement of processing and industrial enterprises that contribute to the expansion of production and marketing capabilities of a specialized industry in a particular region. In modern economic conditions, in order to eliminate the negative impact of such an urgent problem as urbanization on the development of the agricultural sector, the correct organization of the activities of agricultural enterprises ensures the effective involvement of labor resources in the production process in the regions and creates conditions for eliminating the problem of employment that affects the social situation of the village.

Table 1 analyzes the main macroeconomic indicators of small business in the Republic of Azerbaijan, and as can be seen, the added value created in this area increased by 90.2% in 2010-2022.

Table 1. Main characteristics of small business entities in the Republic of Azerbaijan macroeconomic indicators (2010-2022)

Indicators	Years					
	2010	2019	2020	2021	2022	% in 2022 compared to 2010
Added value created, million manats	1 466.2	1423.2	1 617.9	2384.3	2,796.1	190.2
Average annual number of employees, thousand people	109.0	85.1	92.1	102.2	104.8	96.1
Average monthly nominal wage, manat	303.5	437.0	533.8	528.2	575.6	189.6
Investments in fixed capital, million manats	486.5	494.2	380.4	892.7	955.1	196.3

Source: ARSK. www.stat.gov.az. - prepared by the author based on.

In Figure 4, we have provided the structure of the number of micro, small and medium enterprises in the Republic of Azerbaijan in 2022 by economic sectors, and it can be noted that most of such entities operate in the industrial sector (56.2%). In the field of trade and repair of vehicles, this figure is 33.5%, and in the field of transport and warehousing - 20.1%.

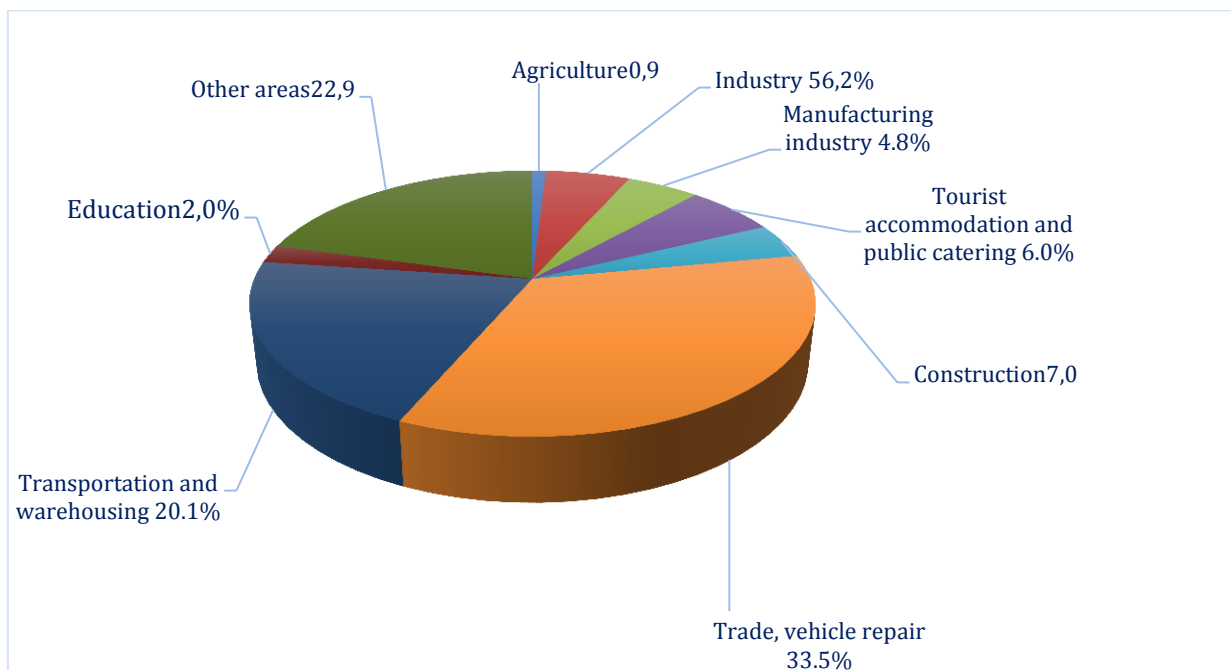


Figure 4. The structure of the number of micro, small and medium enterprises in the Republic of Azerbaijan in 2022 by economic sectors (prepared by the author based on ARSK - www.stat.gov.az).

We believe that the level of innovation in agricultural production is of particular importance as one of the main elements of modernization. However, Azerbaijan is significantly lagging behind these trends. One fact can be noted: in 2022, 17,878.2 million manats will be allocated to agriculture, which amounted to 4.1% of the total investment in fixed assets in the country's economy. In the period 2015-2022, the share of investment in agriculture in the total investment amounted to a maximum of 3.5% (see Table 2).

Table 2. Dynamics of investment in agriculture in the Republic of Azerbaijan (2005-2022)

Years	Investments in fixed capital,		Agriculture, hunting and forestry	
	Million manats	Specific gravity, percent	Million manats	Specific gravity, percent
2005	5769.8	100	40.6	0.7
2010	9905.7	100	431	4.4
2015	16772.8	100	325.1	2.1
2017	17430.3	100	617.8	3.5
2018	17244.9	100	764.4	4.4
2019	18539.5	100	769.5	4.2
2020	17 226.1	100	520.6	3.0
2021	16815.5	100	341.9	2.0
2022	17878.2	100	408.0	2.3
Compared to 2005 In 2022, in%	3.1 times	x	10.0 times	x
Compared to 2021 In 2022, in%	106.3	x	119.3	x

Source: ARDSK Table. - www.stat.gov.az. - prepared by the author based on.

The low share of investments in fixed capital in agriculture among the total volume of investments in the economic sectors of the Republic of Azerbaijan is due to the specifics of the sector. Investors are somewhat more sensitive to agriculture compared to other sectors. Long payback period of investments, low profit expectations compared to other sectors, entry of manufactured products to the market through intermediaries and the influence of a number of other factors somewhat reduce the investment attractiveness of the sector. We believe that it may be important to implement a set of measures to stimulate enterprises operating in this area and increase investor

interest in agriculture: increasing investment volumes in areas with high economic efficiency in agriculture; giving greater priority to investments in regions that specialized in priority areas of agriculture in the former Soviet Union; supporting investment projects aimed at improving the socio-economic situation of the village; Attracting local investors to joint projects with business entities from countries specializing in agriculture and creating incentive mechanisms in this area (Guseynov M.Dzh., Amrakhov V.T., Gasymov A.M., Gasanov A.F., Narimanov N.A., 2016). In addition, in the modern era, when the issue of economic diversification is relevant, agro-industrial enterprises, although they are one of the main components of the national economy, have a number of specific features that require study. Thus, agribusiness covers an important economic sphere, including agriculture, processing enterprises and sales markets. Agricultural production is an important and fundamental link in this value chain. In this regard, the demand for commercial products that meet the needs of the consumer market is continuously increasing every year, which creates the basis for the sustainable development of the industry (Hajiyeva S.T., 2019). As a result of the introduction of scientific and technical achievements into agricultural production, the seasonality of this area has gradually begun to disappear. However, since this process is slower for developing countries, it is especially important to strengthen the material and technical base and take the necessary measures in this direction to ensure long-term supplies of products manufactured in the industry in accordance with the requirements of the seasonality factor.

The main criteria for increasing agricultural production in Azerbaijan were mainly implemented in an extensive way depending on the nature of the production sector (Abbasov V.Kh., 2012). In order for this process to yield the desired results, all necessary measures must be implemented effectively and harmoniously, from the initial production process to the final stage where the final product is produced. However, in this process, in addition to the correct placement of production capacities, establishing effective relationships between farms producing raw materials and processing enterprises, it is necessary to create the most optimal conditions from the collection of products to their transportation. All industries producing raw materials in agriculture are considered important for the development of agribusiness. These areas, in addition to playing an important role in ensuring food security of the population, also act as the main raw material base for the processing industry (Aliyev Sh.T., Mamedova E.B., Gamidova L.A., Dunyamaliyeva V.R., Khurshudov Sh.N., 2022). A special place in the development of the agro-industrial complex is occupied by the development of small and medium-sized businesses. As is known, about 90% of existing farms in the agricultural sector are farms that fall exclusively into this category. One of the main problems that these farms face is the level of equipment. In each farm operating in the field of livestock and crop production, the provision of equipment and its effective use play a direct and special role in increasing labor productivity. The use of energy in this regard is as important as equipping agricultural enterprises with equipment, which plays an important role in the development of production. As is known, in recent years, the world community has been actively using modern technologies in

order to eliminate the seasonality of the industry. This factor necessitates the use of closed conditions in agriculture, which in turn requires wider use of energy. The production and sale of many types of agricultural products are currently virtually independent of seasonal factors. This, in turn, is one of the characteristics that contribute to the development of agribusiness. Increasing the efficiency of using material and technical resources in the agricultural sector has a positive impact on the development of both raw material producers and processing enterprises (Hajiyeva S.T., 2014.). Agrarian reforms carried out in Azerbaijan over the past 20 years have created conditions for a significant increase in the number of enterprises processing agricultural products, which are considered important elements of agribusiness, which has created conditions for a significant increase in the market share of local producers in the domestic consumer market. An increase in the number of small and medium-sized farms in the agro-industrial complex has a positive effect on the growth of production and processing volumes. The development of the agro-industrial complex in recent years has occurred not only due to the formation of an army of organized entrepreneurs, but also due to the development of business economic relations between a number of elements of the market infrastructure, including finance, the banking sector, service organizations, processing enterprises and other economic entities that play a special role in the development of the entrepreneurial environment. In addition to improving the market infrastructure, social infrastructure plays an important role in the development of entrepreneurs engaged in agricultural production and processing industry (Aliyev Sh.T., 2010).

One of the most important problems of the processing industry enterprises currently operating in the agro-industrial sector of the Republic of Azerbaijan is their inability to export products suitable for export to competitive world markets. It is regrettable to note that today the cost of products exported from our republic to world markets by agro-processing enterprises has a very insignificant share in the export structure. In order to gain competitive advantages in this area, the priority is the production of high-quality, environmentally friendly products with optimal production costs. One of the factors increasing the export potential of processed agro-industrial products is that the price of the products is not high enough compared to world markets due to cheap labor. Although the price level in the agricultural sector, where human labor is most needed, is at a normal level, labor productivity indicators are not so high. In addition, one of the factors hindering the competitiveness of processing industries of the agricultural sector of Azerbaijan in foreign markets is the lack of the desired level of production in accordance with accepted international quality standards. It is almost impossible to export products manufactured using traditional methods to the world food markets. If we look at the geography of exports, we can see that exporting products to world markets, with the exception of the former post-Soviet republics, has now become a very difficult task for entrepreneurs working in the agribusiness sector. Today, in developed countries, especially in the EU countries, there is a very strict customs control regime for importing agricultural products. Of course, the main criterion here is the quality indicator. Although the products

manufactured in our republic and exported, as a rule, do not lag behind the corresponding products of other countries in their specific characteristics, but, on the contrary, surpass them in parameters. However, the specifics mentioned here should not be limited only to the visual image or other characteristics that increase the attractiveness of the product. The decisive factors here should be considered the quality of execution and compliance with international standards. Favorable natural and climatic conditions for the development of organic agriculture in Azerbaijan create sufficient opportunities for obtaining high-quality raw materials. However, the quality indicators of the raw materials mined in some areas do not allow the processed industrial products to meet international standards. Although in recent years tobacco, tea leaves, vegetable oils produced in our republic have enjoyed great popularity in the domestic consumer market. The distance of quality indicators from generally accepted standards becomes an obstacle to the effective use of the resource potential of the republic's agricultural sector, increasing employment of the economically active population of agricultural regions, improving their social conditions (Babaev A.Kh., 2011).

Agricultural processing enterprises play an important role in the balanced development of the country's regions and are of particular importance in ensuring the diversification of the country's economy. In this regard, the priority should be to increase labor productivity at enterprises in effective interaction with enterprises processing agricultural products, especially crop production. That is why in recent years, infrastructure has been created in all regions of the republic to ensure long-term supplies and purchase of manufactured products. The role of agroparks in this area should be especially emphasized. We noted that social infrastructure plays an important role, especially in attracting foreign investors to the agricultural sector. Social infrastructure also performs important functions in improving the condition of local roads in the country, which ensures timely and loss-free transportation of processed industrial products and improves the necessary technical and economic indicators. In order to increase the competitiveness of products manufactured in the agro-industrial complex in foreign markets, it is important to provide state support to owners of farms to cover production costs in order to ensure an optimal ratio of the price level for the offered products and the cost of their production. It is known that currently subsidies are provided to producers of many types of agricultural products. In addition to subsidies provided to producers of a number of strategic types of products, primarily grain and cotton, it is considered necessary for the state to cover the costs of mineral fertilizers and pest control agents, logistics, electricity and irrigation costs, as well as financial assistance required for construction work. We believe that the lack of sufficient economic opportunities for small and medium-sized businesses operating in the agro-industrial complex creates difficulties in ensuring the optimal level of production of high-quality products and ensuring their safety. Farms of this type, as a rule, are not continuously involved in the production process, which gradually eliminates the prospect of ensuring food security and specialization of entrepreneurs. In order to most successfully overcome the difficult situation, the state has put the need to modernize the agricultural sector at the forefront, assessed the importance of

restructuring agricultural enterprises, mainly producing raw materials, based on modern technologies and increasing the level of use of information and communication technologies in existing farms of the agro-industrial complex. As a result of these measures, the competitiveness of food and agricultural products has increased relatively, and the task of ensuring food security in Azerbaijan through local capabilities and internal resources has become more urgent (Bayramov V.I, 2018).

Speaking about the near and long-term perspective, it can be noted that in the coming years the role of high technologies, especially "smart" technologies, will increase in the agro-industrial sector of Azerbaijan. Thus, modern technologies are mainly used in agro-parks and other agricultural enterprises created in post-conflict areas. In this regard, in the coming years, there will be an intensification of the use of high technologies by small and medium-sized enterprises in the agro-industrial complex. In addition, the prospects for a wider application of digital mechanisms, as well as the expansion of the use of the Internet of Things and artificial intelligence tools will increase the level of efficiency of small and medium-sized businesses in the field of agribusiness.

Conclusion

Thus, it can be noted that there is a trend of intensive globalization in the agro-industrial sector, as a result of which the import of high-quality raw materials has become more efficient for entrepreneurs than local production of these products. In such cases, it can be noted that there are state support mechanisms aimed at strengthening patronage measures for agricultural entities producing raw materials in order to ensure the necessary conditions for socio-economic development in Azerbaijan. We have summarized a group of factors, tasks and goals to ensure the development of small and medium-sized businesses in the agro-industrial sector of Azerbaijan in the face of new challenges.

- First of all, it is necessary to note the important role that agribusiness plays in the livelihood of the population, since the main source of livelihood for most people living in the regions is the agricultural sector. This indicator covers 70% of the income level of the region's population. Against the background of growing demographic development in Azerbaijan, this indicator for agriculture is quite high. The agricultural sector has ample opportunities to increase the level of employment and, accordingly, reduce unemployment. In addition, in many developing countries, agriculture has a large share in the economy, and taking into account these factors, it is advisable to prepare and implement a strategic concept for the development of the agro-industrial complex in accordance with international experience;
- In order to intensify the development of the agro-industrial complex in terms of its contribution to national income and added value, it is necessary to improve the mechanisms for the development of small and medium-sized businesses operating in this area and develop more effective practical tools;

- The development of the agro-industrial complex ensures the diversification of the agro-processing industry, thereby creating the basis for obtaining higher added value for various purposes through the processing of cotton, silk, sugar, tobacco, tea, as well as livestock products obtained as raw materials, and projects should be implemented to assess these factors and create a competitive and high-tech infrastructure for agro-processing and agribusiness; ¶ In the regions and border areas of the country, it is necessary to create an infrastructure for the export of agricultural and agro-processing products to world markets, for which it is advisable to organize border free economic zones "Agro-industrial, production, trade and customs";
- It is necessary to increase the share of innovation-oriented investments in agricultural production, expand the application by the state of certain benefits (privileges) to investors who take an active part in the process of creating a modern production infrastructure in agriculture in post-conflict areas, and take measures to ensure access to credit resources and insurance services, especially for small and medium-sized businesses;
- A significant portion of agricultural products is transported from farms to processing plants and international markets by rail and road. This factor is considered one of the priorities in state support for the agro-industrial complex, in connection with which it is necessary to ensure the creation of transport and logistics centers in the regions of the country, as well as near border crossings and the provision of accessible transport and logistics services to entities of the agro-industrial complex;
- Considering that this makes a certain contribution to accelerating the inflow of foreign currency into the country, strengthening food supply and security, it is important to facilitate access to foreign markets for small and medium-sized enterprises specializing in the agro-industrial sector, take measures to stimulate their foreign economic activity, etc.

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